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B-146285

The Honorable Claude Pepper
 House of Representatives

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Dear Mr. Pepper:

74-0019

Your November 14, 1973, letter requested that we report on the extent to which general revenue sharing funds are being allocated to programs specifically and exclusively designed to benefit the elderly.

As agreed with your office, we analyzed data we had gathered as of June 30, 1973, on the uses of revenue sharing funds by 250 selected local governments. Although we did not specifically accumulate data on funds allocated by the 250 governments exclusively for the benefit of the elderly, we did obtain data on the types of programs or activities being financed wholly or partially with revenue sharing funds. Accordingly, we believe that from this data we can make a reasonably accurate estimate of the extent to which these governments had allocated the funds to programs specifically intended to assist the elderly.

The Revenue Sharing Act (Public Law 92-512) provided for the distribution of approximately \$30.2 billion to State and local governments for a 5-year program period. The Office of Revenue Sharing, Department of the Treasury, made initial payments under the Revenue Sharing program in December 1972 and had distributed about \$6.6 billion through June 30, 1973, to the 50 States, the District of Columbia, and about 38,000 units of local government. Approximately one-third of the funds were distributed to the States and the remaining two-thirds to local governments.

One of the objectives of revenue sharing is to provide State and local governments with flexibility in using the funds. Accordingly, the act provides only general guidance as to how local governments can use the funds by requiring them to be spent within a specified, but quite extensive, list of priority areas. The priority areas are: maintenance and operating expenses for public safety, environmental protection, public transportation, health, recreation, libraries, social services for the poor or aged, and financial administration. In addition, a local government may use the funds for any ordinary and necessary capital expenditure.

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LOCAL GOVERNMENTS INCLUDED IN ANALYSIS

We selected the 250 governments primarily on the basis of dollar significance and geographical dispersion. The selection included the 50 cities and the 50 counties that received the largest amounts of revenue sharing funds for calendar year 1972. The 250 governments received about \$1.658 billion through June 30, 1973, or about 38 percent of the approximate \$4.4 billion distributed to all local governments.

FUNDS USED TO ASSIST THE ELDERLY

Including interest earnings on the revenue sharing funds through June 30, 1973, about \$1.688 billion was available for use by the 250 governments. The necessary legal and procedural steps were taken by 218 of the governments to authorize the expenditure of \$1.374 billion of these funds. The remaining 32 governments did not authorize the expenditure of any of the funds.

Of the 218 governments, 28 authorized the expenditure of part of their revenue sharing funds in programs or activities specifically and exclusively for the benefit of the elderly. These authorizations totaled about \$2.9 million, or about two-tenths of 1 percent of the total funds authorized for expenditure by the 218 governments.

Expenditures designated to benefit the elderly ranged from a low of \$1,000 appropriated by Brighton, Vermont, for operating and maintaining a senior citizens center to a high of \$785,716 appropriated by Pima county, Arizona, for purchasing a nursing home used primarily for care of the indigent elderly. Pima county had obtained the nursing home under a lease-purchase arrangement and used revenue sharing funds to exercise the purchase option.

The other 26 governments were financing a variety of programs for the elderly. The more significant programs included the following:

--Jersey City appropriated \$400,000 to finance a public transportation discount program for senior citizens.

--Sacramento county appropriated \$104,254 to finance a project being undertaken by the Sacramento County Legal Aid Society to provide legal services to the elderly.

--Jefferson county, Alabama, authorized use of \$450,000 in revenue sharing funds received through June 30, 1973, to add an 83-bed wing to the county nursing home for the indigent aged. An additional \$150,000 was to be used to acquire equipment for the new wing.

--Kansas City earmarked \$100,000 for a nutrition program for the elderly that was expected to provide food for 600 persons a day.

--Clark county, Nevada, appropriated \$125,000 to acquire a building for use as a senior citizens center. The center will provide hobby, recreational, and social activities. An additional \$25,000 was earmarked for renovating the building. This project was being jointly undertaken with Las Vegas, which was participating in the initial capital costs and will be responsible for operating the center.

LIMITATIONS ON DATA

The data on the extent to which the selected governments used revenue sharing funds to assist the elderly was obtained primarily from governments' financial records and therefore represents the direct uses of the funds. Because of the inherent nature of the Revenue Sharing program, the actual results or effects of the funds may be different from the uses indicated by financial records.

When a recipient government uses revenue sharing to wholly or partially finance a program, which was previously financed or which would have been financed from its own resources, other uses may be made of its own freed resources. Freed local funds may be used for such things as tax reductions, increasing the level of funding for other programs, reducing the amount of outstanding debt, and so forth.

Because of such factors as changing amounts of revenue available to a government from its own sources and changing budgetary priorities, it is exceedingly difficult, and perhaps impossible in some jurisdictions, to objectively identify the actual results or effects of revenue sharing. Accordingly, in considering the information presented in this report, you should be aware that the actual effect the revenue sharing program may have on the local governments' assistance programs for the elderly could be different from that indicated.

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We do not plan to make further distribution of this report unless you agree or publicly announce its contents.

We trust the above information is responsive to your needs.

Sincerely yours,



[Deputy] Comptroller General
of the United States